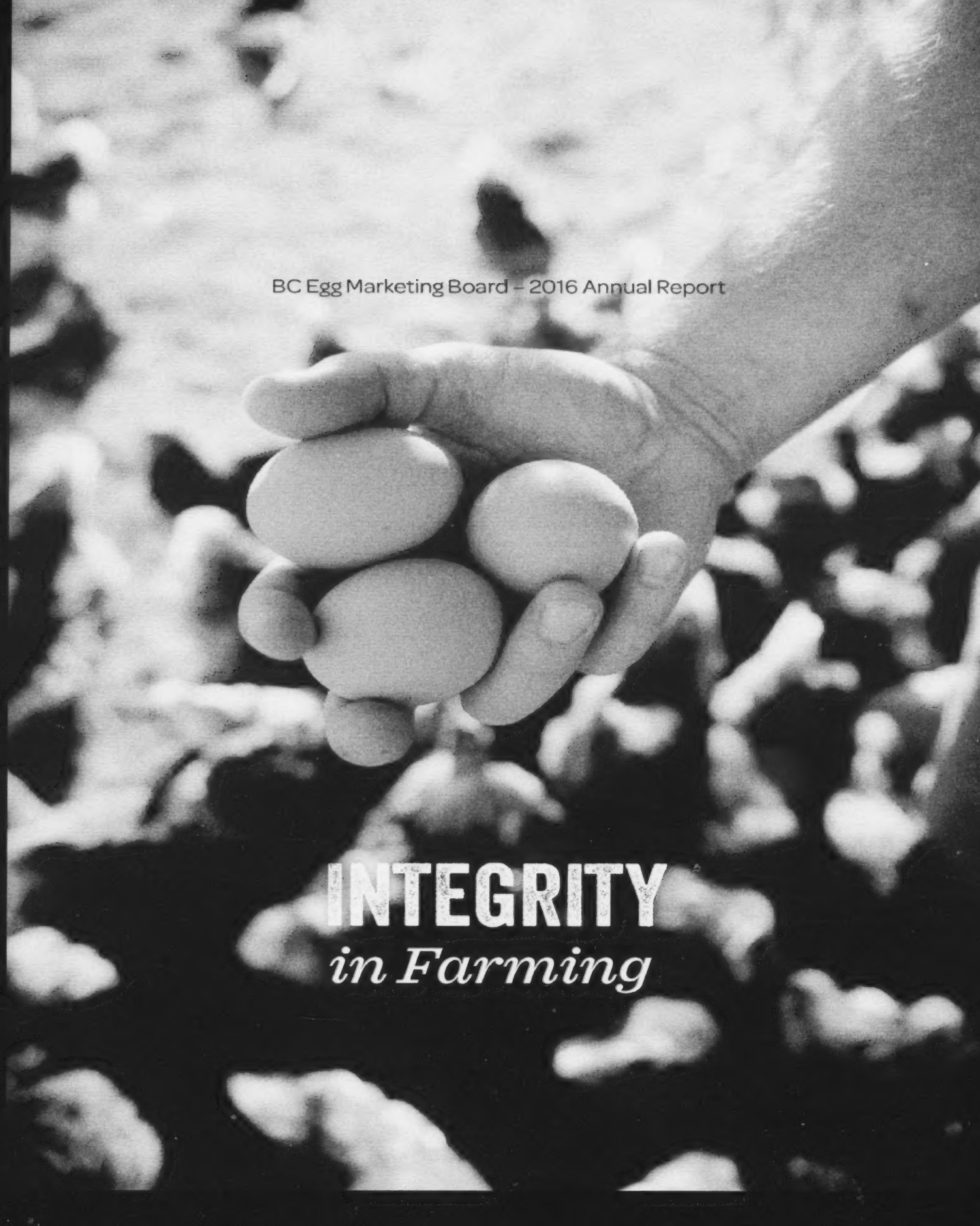
BC Egg Marketing Board – 2016 Annual Report
INTEGRITY
in Farming

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VISION

A cohesive and sustainable, growing BC egg industry that meets the needs of consumers while being socially and environmentally responsible.

MISSION

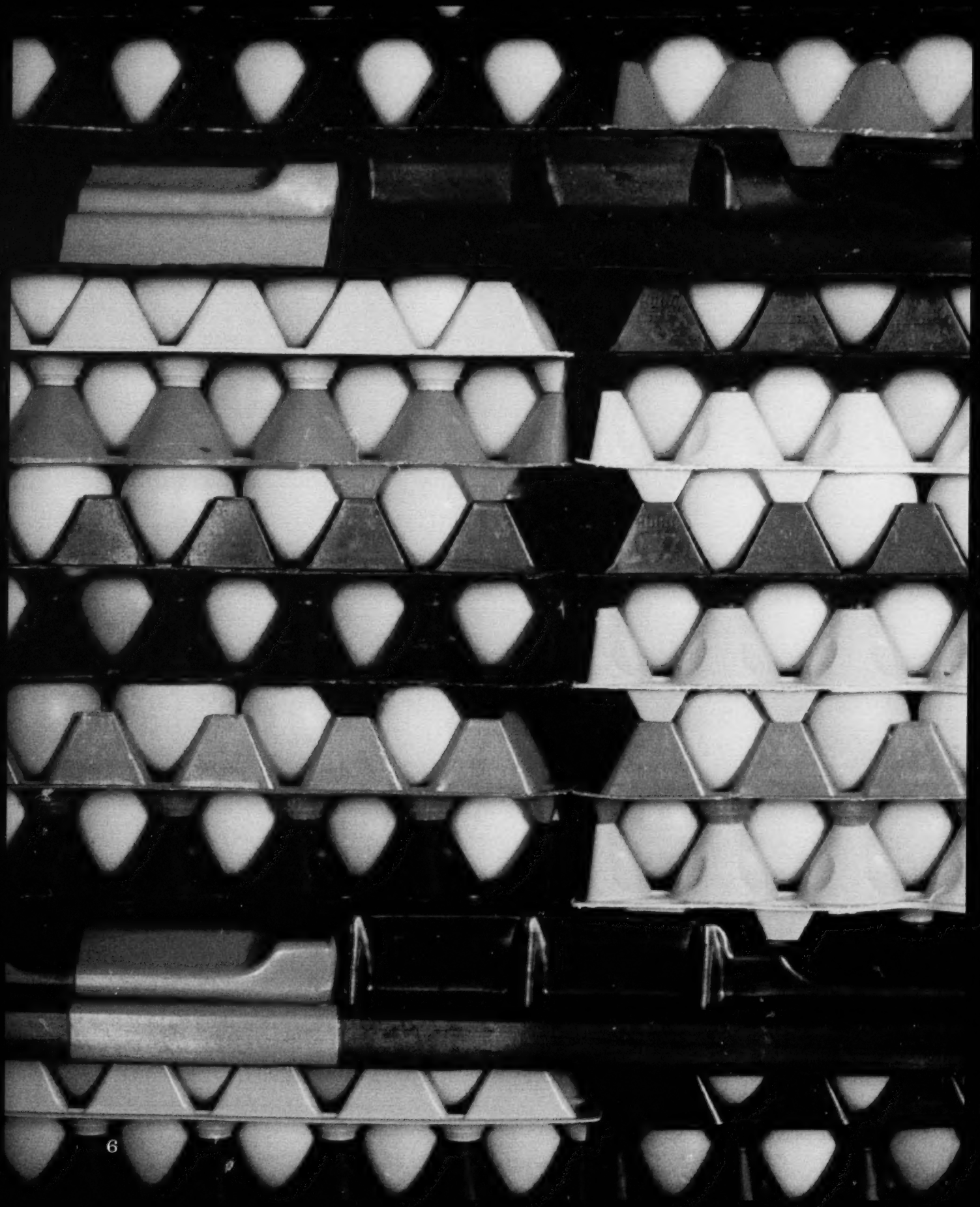
To engage stakeholders to meet the demands of the marketplace.

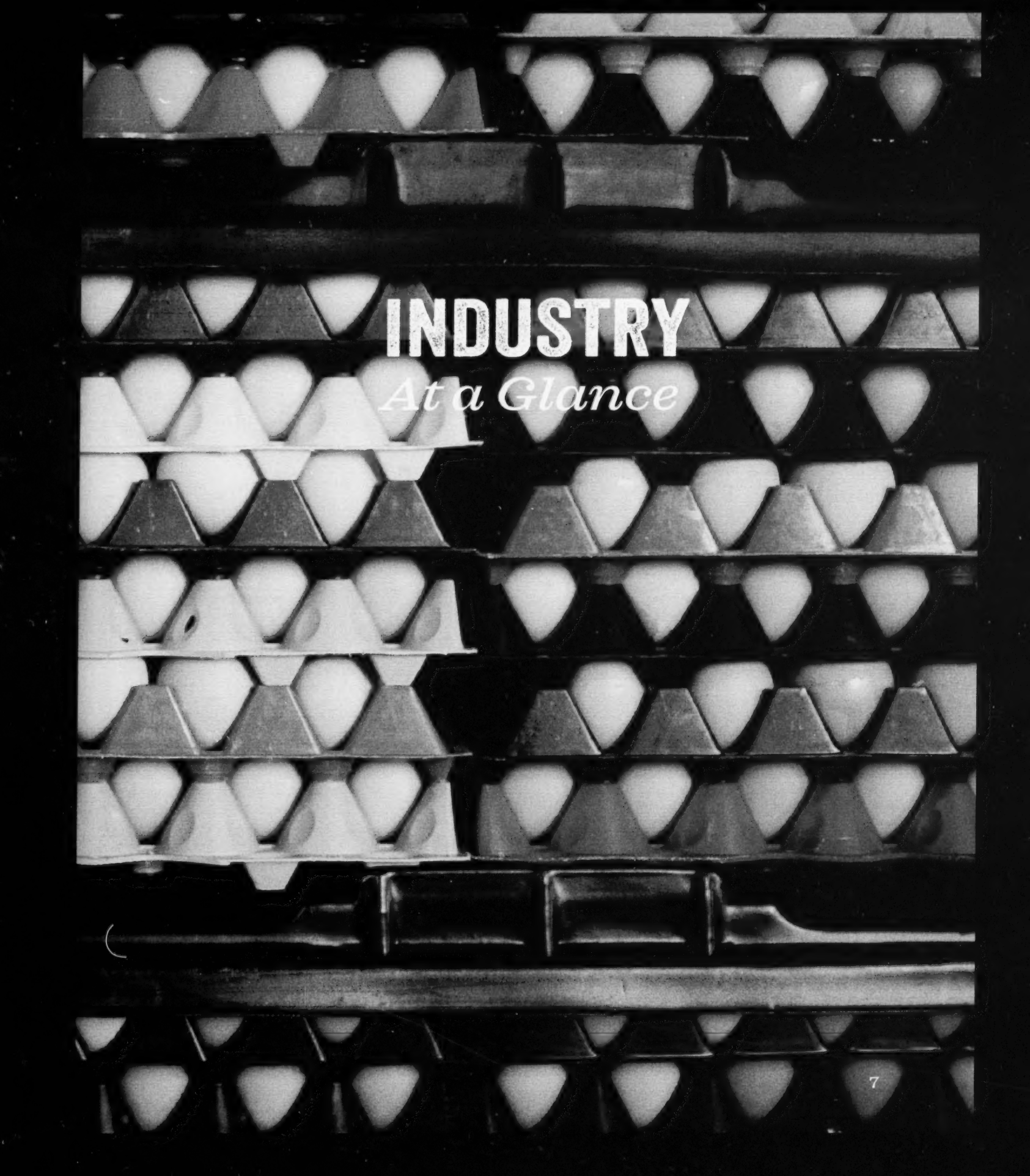
Making principle-based decisions based on SAFETI guidelines.

Building trust through transparency.

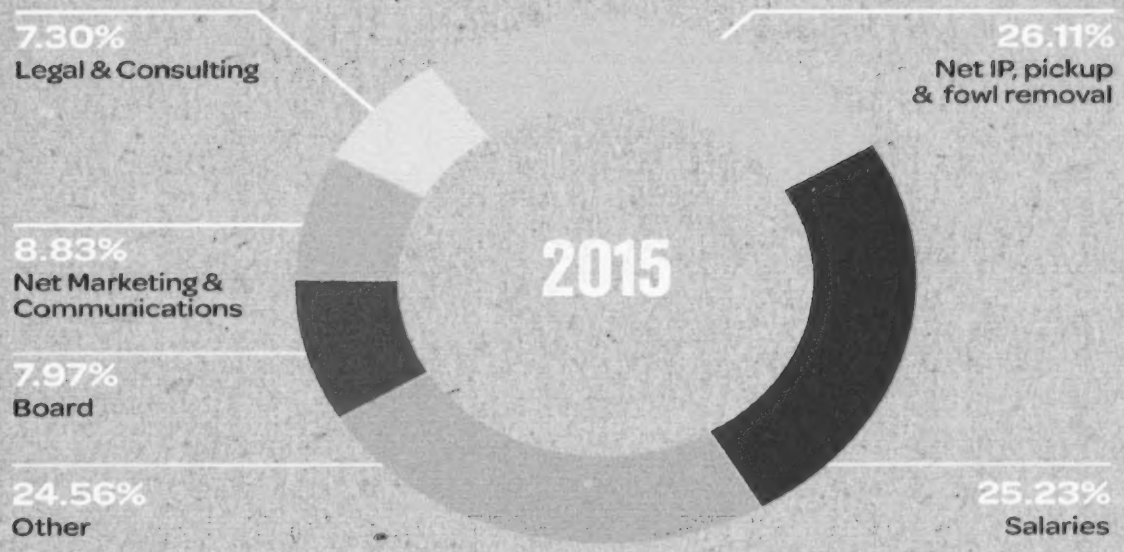
Providing high-value support to members to help them thrive in the face of change.

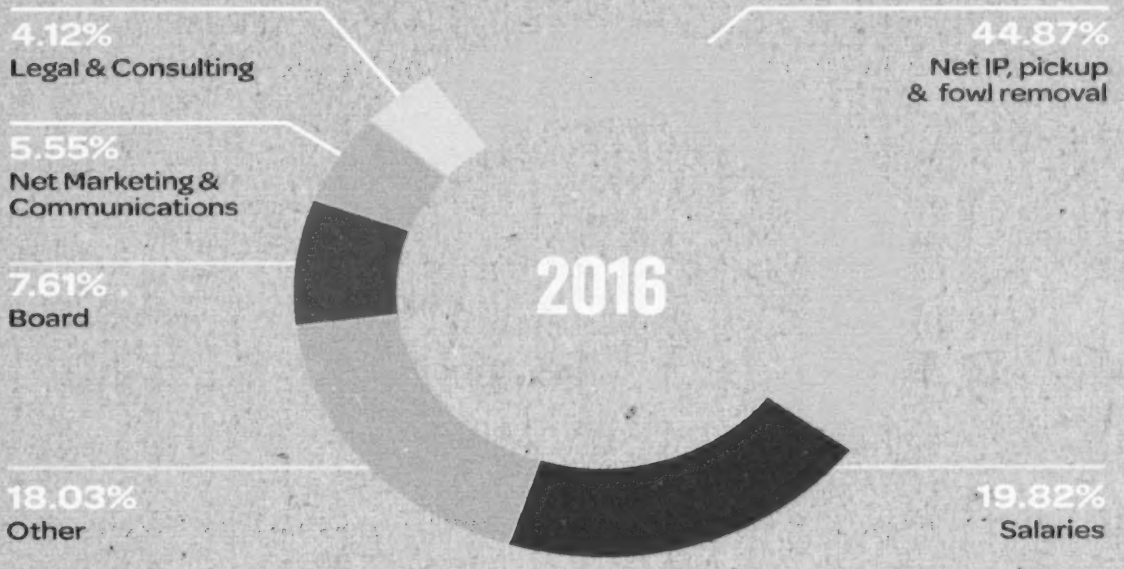
Continuing to build our social license and raising the bar on health, safety and sustainability.




INDUSTRY
At a Glance

Distribution of Expenses





	Net IP, pickup & fowl removal	Board	Net marketing & communications	Salaries	Legal & consulting	Other
2015	$ 1,282,421	$ 391,604	$ 433,427	$ 1,239,172	$ 358,348	$ 1,206,234
2016	$ 2,658,652	$ 451,026	$ 328,843	$ 1,174,344	$ 244,404	$ 1,068,292

Gradings Report

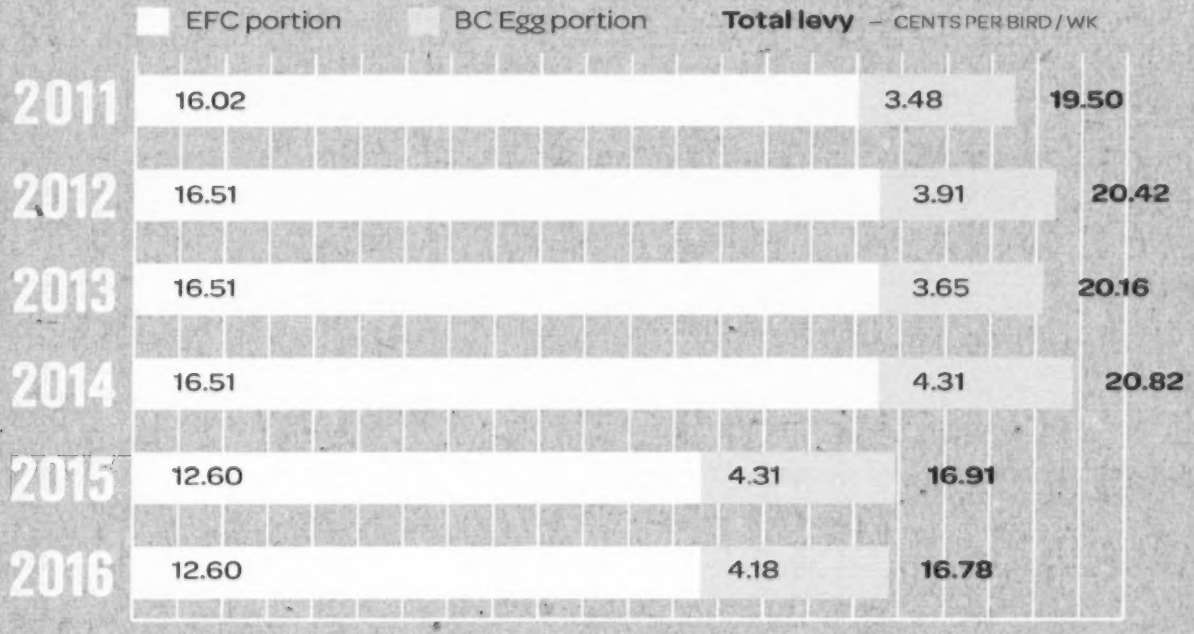
2015

	Dozens	Dollars
Regular	**57,663,312**	**$ 113,801,508**
White	50,984,634	99,894,934
Brown	6,678,678	13,906,574
	Dozens	Dollars
Specialty	**13,782,759**	**$40,180,526**
Free Run	4,934,108	12,130,878
Free Range	3,868,319	11,034,516
Organic	4,980,332	17,015,133
Total	**71,446,071**	**$153,982,034**

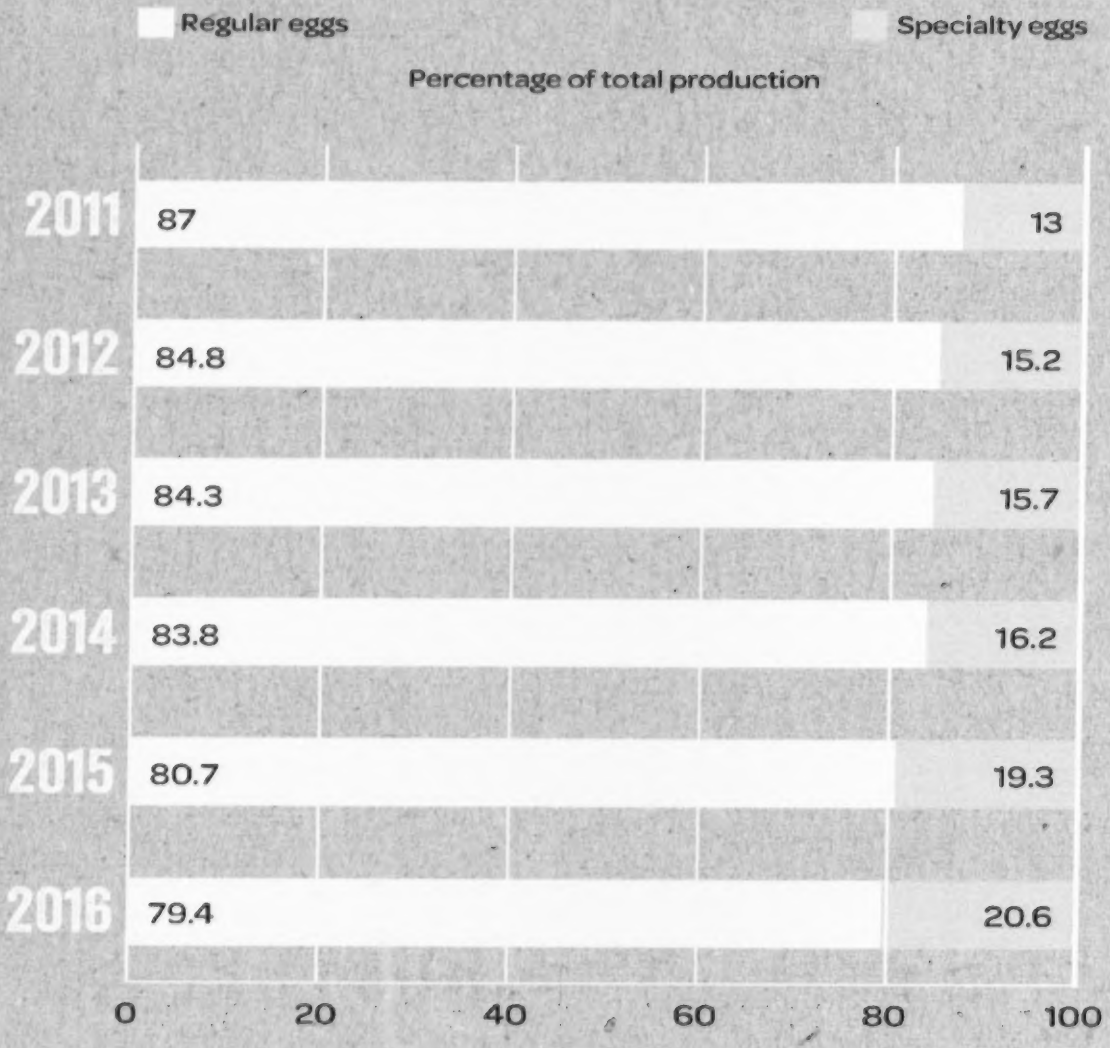
2016

	Dozens	Dollars
Regular	**63,858,717**	**$ 124,889,270**
White	57,336,331	111,441,782
Brown	6,522,386	13,447,488
	Dozens	Dollars
Specialty	**16,571,293**	**$48,582,428**
Free Run	5,935,040	14,626,905
Free Range	5,220,925	14,842,401
Organic	5,415,328	19,113,121
Total	**80,430,010**	**$173,471,697**

Levy paid by registered producers



Egg production by type



Types of Eggs

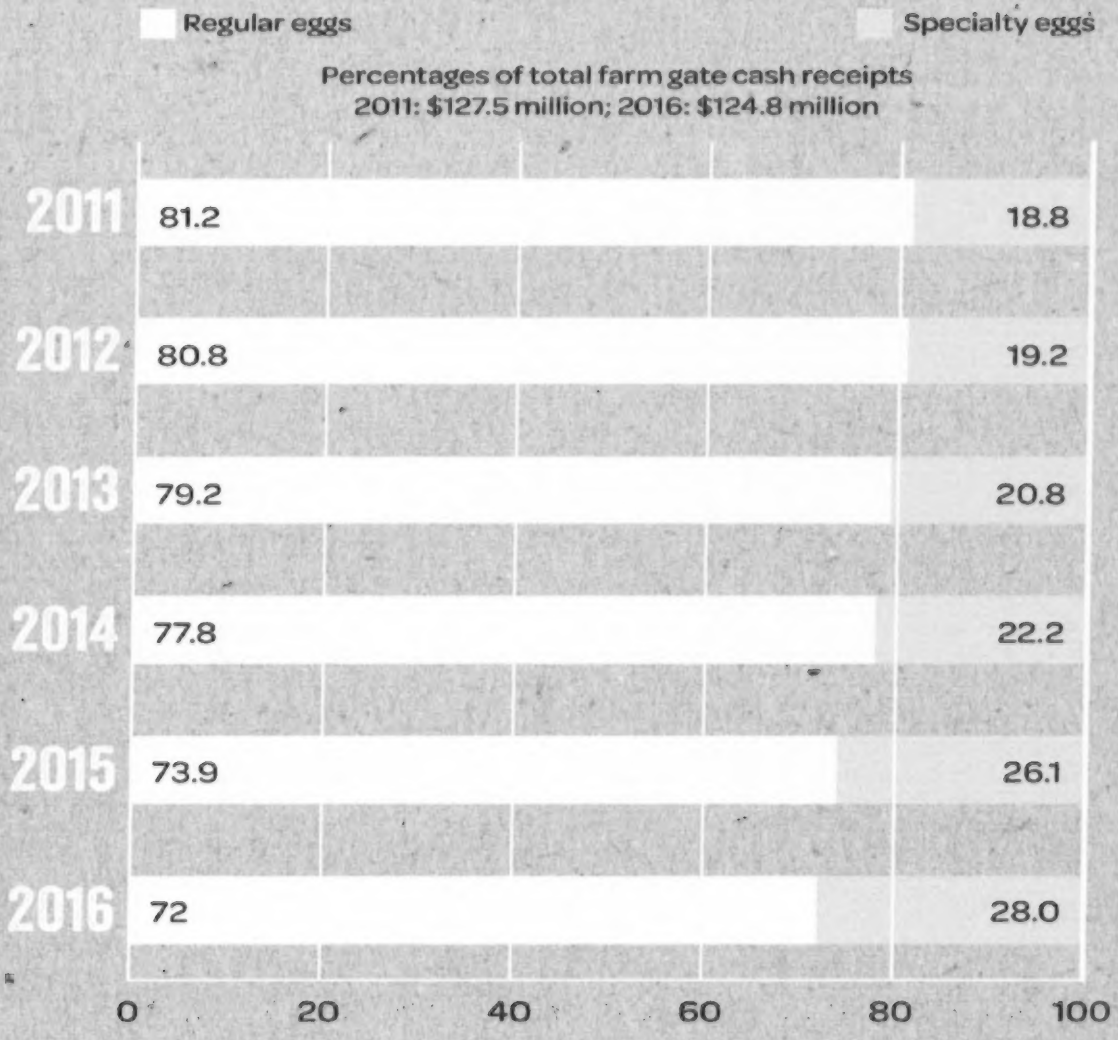
Standard White Eggs

These eggs come from white hens that are typically raised in conventional housing systems.

Standard Brown eggs

These eggs come from brown hens that are raised in conventional housing systems.

Total farm gate cash receipts



Free Run Eggs

These eggs come from hens that are raised in free-run (barn or aviary) housing systems. Free-run systems allow hens to roam freely within a barn, while also providing nesting boxes and perches.

Free Range Eggs

These eggs come from hens that are raised in free-run (barn or aviary) housing systems, which also provide access to the outdoors (when weather permits).

Organic Eggs

These eggs come from hens that are raised in free-range housing systems. The hens are only provided feed that has been certified organic and roam outdoors on pastures that are also certified organic.

CHAIRMAN'S REPORT

I think everyone would agree 2016 was a year of significant change for the industry, which we managed quite handily!

Industry initiatives by the National Farm Care Council updated the Code of Practice, with the primary change being that producers had to phase out of conventional cage production. The partners in this group were producers, hatcheries, veterinarians, animal welfare, academic researchers, grocery, processors and various levels of government. These changes were initially driven more by consumer preferences in purchasing; that is, the consumers were gradually shifting their choice from conventional to cage-free and organic based on their feelings about animal care and their own health and wellness. This change was accelerated by some national restaurant brands saying they would offer only cage-free eggs within ten years and then the Retail Council of Canada stated their larger grocery members would do the same within the same shortened period. In some cases these changes were driven by parties trying to differentiate their brands, but to a large degree they were driven by social activists.

Our producers have always had animal care at heart and are concerned about the lack of objectivity and science-based facts in some parties' arguments. As equally concerning is the fact that these movements are driving up the price of eggs at the store shelf and increasing the cost of the consumer's food basket. The majority of our consumers purchase eggs based on price decisions as they have to balance their budgets.

Our producers have always been driven by consumer choice or preference. Until 2016, the producers kept pace with the shift in consumer demand for free-range, free-run and organic eggs. Actually we lead the country in non-conventional production with cage-free eggs being 21% of our total production.

Currently, the push from grocery, driven by activists, is greater than the consumer pull and for the first time we are short on cage and organic, and long on supply of free-range and free-run. When a producer converts production they cannot toggle back and forth on production types so you can appreciate it is a delicate balancing act to mitigate costs to the producers and graders, when the supply does not meet the demand.

The cost to change production is significant to the industry. On average it costs $75 dollars per layer to convert and if the current conventional producers all converted it would cost our industry over $700 million in capital expenditures. These are long-term financial commitments in an uncertain market, which require a lot of homework and future vision by the producers.

The other significant changes to our industry were the large increases in quota, allocated over the last two years, to the province along with an addition to our Eggs For Processing program. These, coupled with a temporary increase for a Market Growth Allowance amounted to 10.4% increase. It takes about 18 months to get quota increases to the grocery shelf as there are capacity, hatchery, pullet and other natural animal life factors that influence timing. These changes have led to an increase in overall egg production in the province from 71,446,071 dozen to 80,430,010 in 2016. The result is the province is moving closer and closer to being self-sustaining on egg production, with limited need to import from the US or other provinces.

So the turbulence in the market with respect to various non-consumer influencers has been matched with a tremendous eagerness to embrace this change by our producers. They do have a vision and realize there are social shifts in the market and more and more stakeholders have a voice than ever before. A huge thank you to the producers for their willingness to respect our social license and be great guardians of the public trust.

Finally, some recognition goes to our management for their willingness to embrace change as well. They are actively engaging grocery, processors, consumers, animal care organizations, and working in concert with the graders to a heightened degree to stay on top of the market changes. To Katie Lowe, our Executive Director, and her management team and staff a heartfelt thank you!

The BC Egg Marketing Board and our producers continued to do the right thing in 2016 and we are proud to be pursuing integrity in farming today — and going forward!

Brad Bond
CHAIRMAN

EXECUTIVE DIRECTOR'S REPORT

I spent half of 2016 as the Manager Operations and half as Executive Director. As I reflect on my first few months as Executive Director, I am impressed by the many changes that took place at BC Egg in 2016.

On the staffing front, we've welcomed several new faces: Joey Aebig, Operations Assistant; Amanda Brittain, Manager Communications and Marketing; Kiran Cheema, Communications Assistant; and Jim Chen, Accounting and Data Coordinator. Several other staff members celebrated their first anniversaries with BC Egg in 2016 so we have a pretty new staff team. Everyone is now comfortable in his/her new roles and we are seeing a lot of progress on clearing up a backlog of work as well as starting some new and exciting projects.

We asked producers to provide comments on a few major review projects this year. The Consolidated Orders went through a formal review process and producers were consulted. The final changes were approved by the BCEMB in 2016 and we will be moving on to the next step in 2017.

We also took a look at our election rules in 2016 to ensure they were up to date and were still serving our needs. FIRB accepted the rules including giving us the ability to move to an entirely digital election.

National Farm Animal Care Council (NFACC) finalized a draft update to the Codes of Practice in 2016; however, they won't be finalized until spring 2017. BC Egg took the opportunity to provide comments and sent the draft out to producers, encouraging them to comment as well. This issue is one that many parties take great interest in so we encouraged producers to make comments to ensure NFACC received input from a variety of sources.

We introduced a new Sponsorship Policy that ensures we are strategic in our sponsorship decisions. The new policy introduces three levels of priority and earmarks a certain amount of money for each priority area. Before accepting any sponsorship opportunity, staff ensures the opportunity meets our goals and will give us a good return on investment by using a newly developed checklist.

We were very pleased to be able to offer two quota exchanges this year. In March 56,909 units were offered for sale and 141,600 were requested. In December, 27,381 units

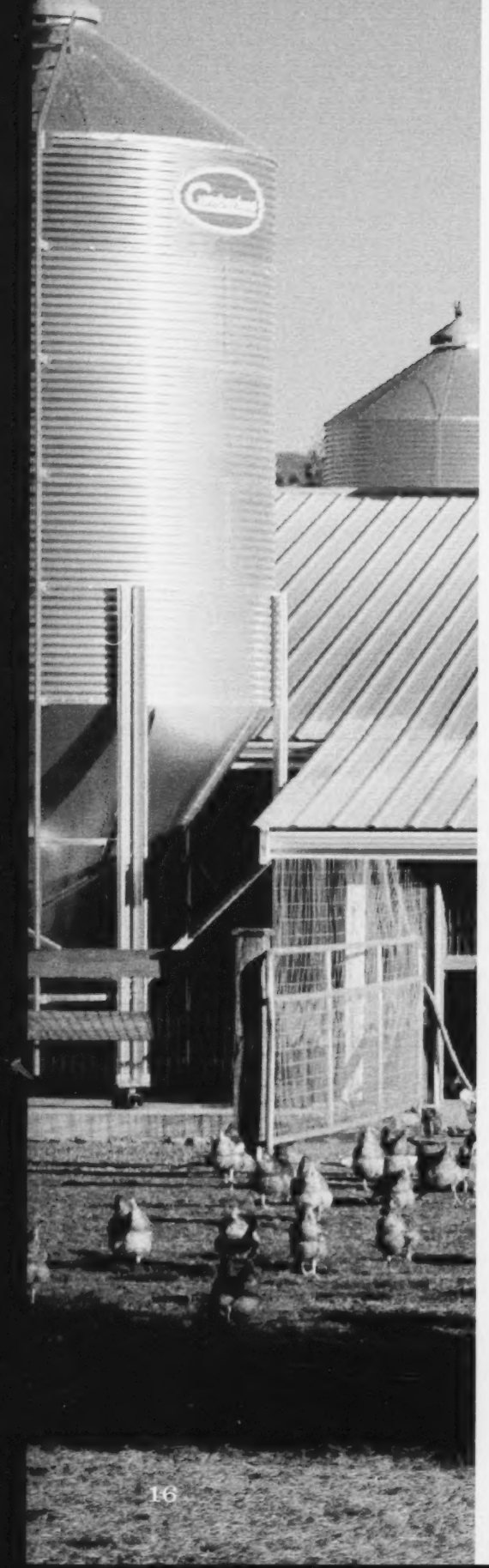
were offered for sale and 111,283 were requested. We are especially pleased that several new entrants got started via the quota exchange program in 2016. The quota exchange is still a pilot program so we would love to hear your comments and suggestions on ways to make it better. You can send them directly to me (katiel@bcegg.com).

As part of the New Producer Program, we ran a regionalization study with the aim of getting producers into areas of the province in which they are most required. This will ensure that future iterations of the New Producer Program are more strategic and emphasize those areas most in need of egg producers.

Unfortunately, the New Producer Program got off to a shaky start when a lengthy appeal process pushed the draw into January 2017. We have 11 spots available for new producers and we accepted applications from hopeful producers. Best of luck to the newest producers!

We look forward to continuing to work with all producers and stakeholders in 2017.

Katie Lowe, P.Ag.
EXECUTIVE DIRECTOR



EFC DIRECTORS REPORT

This past year was a pivotal one for the egg industry and one that brought us together in unprecedented ways as we dealt with new challenges in our industry. The uncertainty we had faced in 2015 through the Trans Pacific Partnership negotiations was replaced by volatility of another kind, and on an issue that hits much closer to home and hearts: the manner in which we house our hens and produce eggs.

No sooner had we finally reached consensus as an industry to transition away from conventional housing, than the conflicting announcements of food service and retail hit the airwaves. By April, the industry rallied to identify immediate, medium and longer-term objectives to pursue. Our goals were clear: remain committed to promoting enriched housing as one of several alternatives to conventional housing, and work together to ensure the supply of eggs matches what consumers actually want and will pay for.

We also identified principles to abide by during this transition including: take action and communicate that action; maintain a national focus; minimize risk by avoiding duplication; and place priority on activities that bolster the EFC Board's February 2016 transition memo as a business decision-making tool.

With respect to enriched housing, part and parcel of maintaining its viability was continued diligence with the long-awaited revised Codes of Practice—scientifically based standards and guidelines for the production of eggs. Over the summer, the draft Code went out for public consultation. The draft—thanks to hard work by the Code Development Committee and our egg representatives—retained enriched housing standards, but committed the transition away from conventional in 20 years with the *aim* of completing it faster. This was a critical outcome for our industry and one we will revisit with partners when the final Code is published in early 2017.

In the meantime, we continue to meet with our supply chain, government and elected officials to discuss the complexity of what has been set in motion. As well, a new national multi-stakeholder working group was approved by the Board to review the situation and help devise a way forward that will safeguard the egg industry in Canada as well as meet the demands of the market and consumers.

Though it has been stressful and somber, EFC is fully committed to ensuring no stones are left unturned as we try to better understand how our transition is going to work over time. It is our job to ensure that our supply chain understands how their decisions affect our industry. This is not going to be easy and there are likely adjustments and unforeseen turns still to come. Nevertheless, it is our new reality and how we handle it has a direct impact on our industry, which is why we have dedicated people working on this each and every day.

At the end of the day and year, it is important to remember that the egg industry—despite its challenges—is thriving. Most of the outside world just sees our fresh, local and high-quality eggs, the Get Cracking brand, the good we do in our communities with food banks and breakfast programs, and the enthusiasm with which we share the immeasurable benefits of our product.

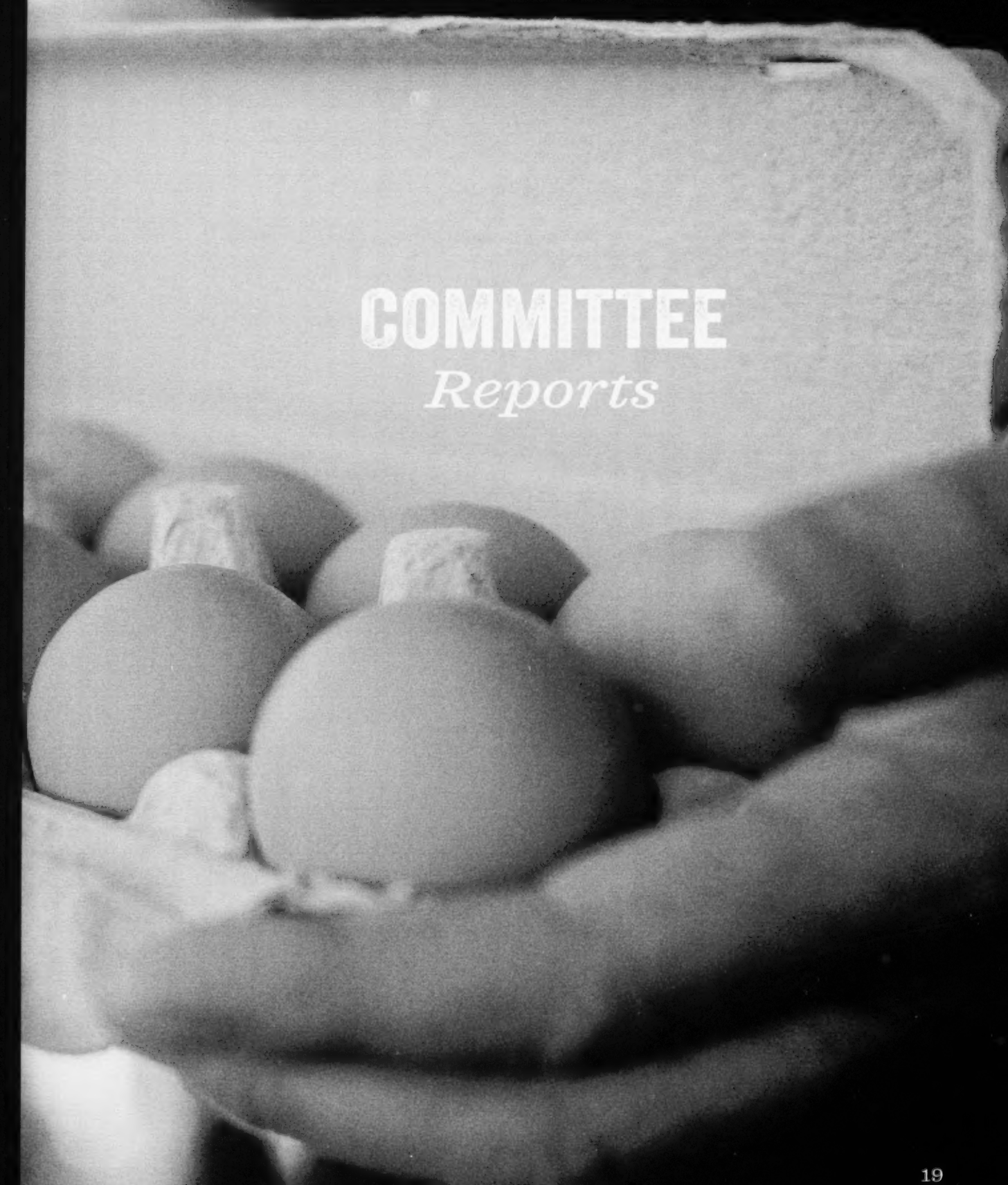
Thus, it is not surprising at all that we achieved our tenth consecutive year of retail growth in 2016. This trend applies to all eggs—from classic white and brown eggs, and specialty eggs such as Omega-3, organic, free run and free range. This success continues to be driven by a number of trends including increased consumer demand for natural, protein-rich foods. As concerns about the rising cost of groceries, the environment and sustainable food production increase, we expect our favour with consumers, customers and society to also grow.

As part of being able to make good on Canadians' desire for more Canadian eggs, we remain diligent in assessing our market and advocating for additional quota as our industry expands. For the system of supply management to operate with efficiency, it must also be nurtured over time from within. Considerable efforts were made last year to work across the industry and with EPCC to meet growing demand for eggs with Canadian production.

Those efforts were rivaled only perhaps by those of countless farmers, Young Farmer Program alumnus and participants, egg board staff and leadership and the EFC Board and staff who rallied around our challenges to up the ante when it comes to "telling our story" with all those who want and need to hear more. The progress we have made in opening ourselves and our farms and our industry up to others—be they reporters, dieticians, politicians, retailers, third-party NGOs or the general public—has been unprecedented. With more of us on social media and at events, proudly advocating for sustainable egg production, we will continue to remind Canadians of the benefits of the system of supply management and ensure a bright future for generations to come—no matter what comes our way.

To everyone in this industry who works tirelessly in service of our mission, thank you very much from the EFC Board of Directors.

Walter Siemens
EFC DIRECTOR



COMMITTEE
Reports

Committee Reports

Audit and Finance Committee Report

One of the key changes in the committee in 2016 was the addition of finance both in name and responsibility. A new terms of reference was developed and approved by the Board of Directors, which outlined the committee's overall mandate, with the objective the new committee will provide a better support role and assistance to the Board.

Some of the new responsibilities of the committee include reviewing quarterly financial statements, reviewing capital projects, and assessing internal organization processes. During 2016, the committee started working on updating the Board of Directors Expense Policy and working with management to assess the operational cash flow requirements of the Board.

The new committee has also facilitated building trust and increased engagement between the committee members and management. Our primary goal is to be a strong team working together to support producers.

Being transparent is very important to BC Egg and the fact that the committee is now looking at finance as well as audit functions adds to the transparency of the organization.

On behalf of the Board of Directors, I would like to thank the Audit and Finance Committee members and management for their dedication and valuable contributions.

Respectfully Submitted,

Amyn Alibhai

PMC Report

The Production Management Committee (PMC) is a committee of egg producers whose role and mandate is to act as advocates for matters pertaining to production practices and related issues. Committee members also act as peer advisors to fellow producers in the same areas. The PMC pursues formal complaints to the Farm Industry Review Board regarding production practices and is involved in encouraging producers to participate in On-Farm Food Safety and Biosecurity Standards. The PMC is a voluntary committee; it is not established under any legislative or regulatory authority, and its only mandate is the one given to it by its members.

This past year was a productive one for the PMC.

The inaugural Producer of the Year was awarded at our AGM held as part of the Poultry Conference. We were pleased to award Jeff Bisschop of Country Golden Yolks Farm with the first Producer of the Year award.

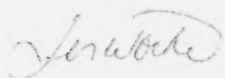
The Cage Measuring certification, something we as producers have all been anxiously awaiting to have some clear direction on, took place this year.

The PMC played a major role in providing comments and feedback on the Poultry Code. With the assistance of BC Egg staff, we were able to use Manitoba's euthanasia training video to create a webinar for all producers ensuring that they are all trained in the standard operating procedures for euthanasia. We are currently investigating the pros and cons of a provincially implemented rodent control program following Quebec's model.

Chair Jennifer Woike was able to represent the BC PMC at the National PMC meetings where the major discussions were around SE protocols. There was also discussion regarding all provinces' transition progress into specialty product.

There is a National Transition team in place at the EFC level which is focused on gathering information on supply and demand of specialty products to ensure that we are selling all of what we are producing. They also emphasized how important it is to avoid making the transition competitive between producers and between provinces.

I would like to personally thank each valuable member of the PMC: Scott Janzen, Jake Lsau, John Krahn and Ken Vanderkooi.



Jen Woike

Committee Reports

BC Council of Marketing Boards Report

The BC Council of Marketing Boards (COMB) is a voluntary association of the Boards and Commissions that are established and operating under the authority of the Natural Products Marketing (BC) Act (NPMA).

COMB's purposes are:

i) to promote and uphold the principles of regulated and orderly marketing of agricultural products;
ii) to develop and promote policies important for efficient orderly marketing, and
iii) to facilitate the solution to problems of mutual concern to COMB members.

The types and numbers of member Boards/Commissions has changed over time. When it first started, COMB had 15 member Boards/Commissions. Today, COMB has 8 members:

BC Broiler Hatching Egg Marketing Commission;
BC Milk Marketing Board;
BC Egg Marketing Board;
BC Vegetable Marketing Commission;
BC Chicken Marketing Board;
BC Turkey Marketing Board;
BC Hog Marketing Commission; and
BC Cranberry Marketing Commission.

COMB offers professional development sessions under the auspices of COGA (Centre for Organizational Governance in Agriculture). These sessions have always been funded with support from the Investment Agriculture Foundation of BC.

COMB's role as a service provider began around 2004 after the BC Farm Industry Review Board (FIRB) developed election policies for the Marketing Boards/Commissions regulated under the NPMA. COMB initially offered services as the Independent Election Officer, and then expanded its services to conducting the Board surveys that FIRB asks the Boards/Commissions to undertake.

In 2016, COMB offered four COGA sessions – three in Abbotsford and one in Kelowna. These sessions included: *Building Up Crisis Response, Building Up for a Stronger Future, Making the Transition Under the New BC Societies Act,* and *Meetings, Rules and Effective Decision-Making.*

In 2016, COMB conducted eight elections (and participated in one appointment process), and six surveys. COMB also conducted an annual Directors' Compensation Survey so that its eight members can determine how their compensation rates compare to those of other similar organizations. Twice a year COMB hosts a Chairs' and Managers' meeting to allow member organizations to meet in an informal setting to discuss issues of mutual interest.

K Zimmerman

Kathleen Zimmerman, P.Ag.
COMB General Manager

Committee Reports

BC Egg Producers Association Report

With the help of a facilitator, the BC Egg Producers Association (BCEPA) has developed a new strategic plan and mission statement.

Our new mission statement:
Cultivate a thriving BC egg industry as united egg farmers by engaging the public, government, the BCEMB as well as other poultry groups.

The mission statement and plan is built on four main pillars with improvement targets in each one.

- Producer Engagement – Work to ensure that as many producers as possible are aware of what's taking place in the industry and contributing meaningful feedback to the continuous evolvement of the industry. Find ways to effectively engaging producers who don't attend update meetings or read monthly newsletters.
- Political Engagement – Put a face to BC egg farmers for government. When it's effective, we'll work jointly with the BC Poultry Association on this pillar.
- Public Engagement – Build public trust by being in the public eye. For example, attending public events such as being present in grocery stores to answer consumers' questions.
- Engage others – Work with the BCEMB and BCPA, as well as other farm organizations when it's effective, to continue to improve the strength of unity of egg farming in the province. Improve communication to ensure cohesiveness and flow particularly between BCEPA and BCEMB

To support the new mission statement, we aim to consolidate the regional associations into one provincial organization to better unify the egg farmers across the province.

Through the BCPA and subcommittees, avian influenza rapid response, surveillance program, and biosecurity levels were further developed.

The BC Specialty Audit Committee was established in order to develop a BC standard for free-range eggs. This standard will provide consumers with the confidence that they are getting value from specialty eggs.

We developed a New Entrants Manual with comprehensive information introducing new entrants to the BC egg industry. The Mentorship Program for new producers was further developed and we hosted a farm tour for new entrants.

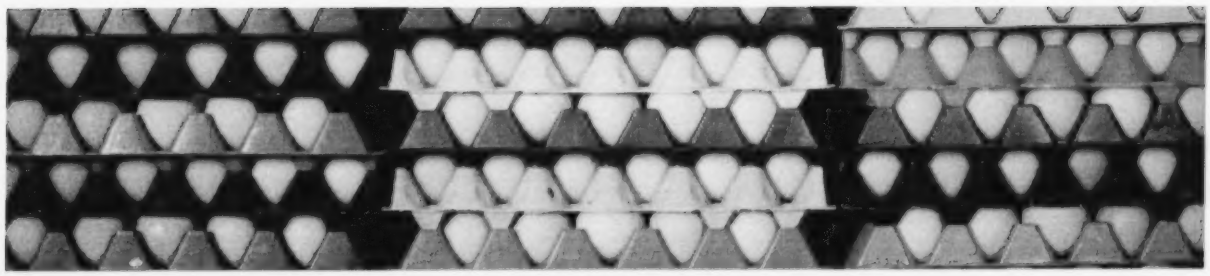
Mark Siemens

BC Specialty Audit Committee Report

The Committee reviewed nine of the most prominent international animal welfare codes to determine how BC compared. We determined that the only significant gap in the draft national code was regarding free-range production so the Committee developed an initial recommendation of regulations for free-range egg production in BC. After working with consultant Jack Reams, we brought a final recommendation to BCEMB.

Mark Siemens

2016 MARKET REVIEW



Egg sales across Canada continue to remain strong. Nielsen data reports that there has been a 5.2% increase in the sale of total eggs nationally. Regular eggs are up 3.8%, Omega-3 eggs are up 11.8% and all other specialty eggs are showing an increase of 15.7%. (All numbers are current as at November 21, 2016.)

The sharp increase in specialty eggs sales is good news when you consider the retail push for cage-free eggs. In 2015, many Canadian retailers and restaurants announced decisions to only source eggs from cage-free hens. In 2016, we started to look at how this could become a reality. Transitioning over 70% of an industry to new housing systems is very difficult, if not impossible in the timeframe set out by the retail announcements.

While the number of hens in BC has grown overall in the past few years, the number of hens in free-run, free-range and organic flocks has grown much faster than those in conventional cages. In July 2016, we instituted a moratorium on conventional cages for new, renovated, and retrofit barns. Enriched cages will be allowed in the new Codes of Practice; however, we are unsure if retail will accept them. Enriched cages provide hens with the five freedoms and protect them from diseases and illnesses that are more prevalent in free-run/free-range flocks.

Egg Farmers of Canada is working on the transition issue at the national level where they met with the Retail Council of Canada and McDonald's Canada. BC Egg is working at the provincial level. We met with executives at four major grocery retailers to discuss the transition process. These meetings went very well with all retailers expressing an interest in wanting to work with us to make the transition as smooth as possible. Some retailers emphasized that they wanted to continue to provide their customers with choice which includes stocking some commodity eggs.

To aid in our transition planning, we are working on a forecasting model that will take into account industry growth, egg consumption, producer capabilities and more. We will be able to use this model to test different scenarios and help us plan for future egg needs in BC.

An outbreak of avian influenza in South Korea and China led to an increase in export enquiries to those countries at the end of the year.

A quota increase was approved by National Farm Products Council and subsequently ratified by EFC very late in the year. While the effects of the increase weren't felt in 2016, it was welcomed. EFC lifted the cap on the utilization rate so we were able to use 100% of our allocated quota in 2016; however, our rolling average is over 100% and is trending to remain over 100% in 2017 so BC Egg will be taking action to prevent liquid damages. The quota will increase offset our high rolling average in 2017.

IN THE COMMUNITY

Rocks & Rings

This year, egg farmers across Canada teamed up with Curling Canada to sponsor the Rocks and Rings program. The Rocks and Rings program visits elementary schools to introduce students to the sport of curling. The highly interactive program combines drills, relays and team-building activities with unique indoor flooring equipment to provide students with a true curling experience.

SheWay

BC Egg is proud to make a small contribution to SheWay with weekly donations of fresh eggs. Sheway is a Pregnancy Outreach Program located in the Downtown East Side of Vancouver. The program provides health and social service support to pregnant women and women with infants under eighteen months who are dealing with drug and alcohol issues.

CIBC Run for the Cure

BC Egg staff and egg producers come together to support CIBC Run for the Cure each year. The CIBC Run for the Cure is a 5k or 1k walk or run that raises funds for Canadian Breast Cancer Foundation. Staff and producers showed their support by walking, running, or handing out swag at the booth while educating consumers on the egg industry.

Bite of BC

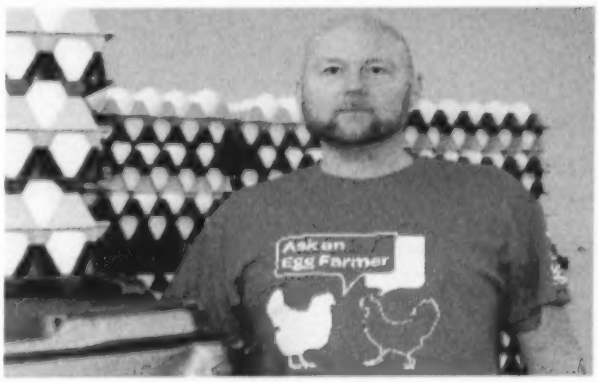
BC Egg works with BC Agriculture in the Classroom to sponsor Take a Bite of BC. BC grown products are donated to the program and delivered to participating school teaching kitchens throughout the school year. Take a Bite of BC provides an opportunity for students to gain experience working with fresh products while learning about the benefits of eating local.

Food Bank

BC Egg office staff routinely help out at the Abbotsford Food Bank's distribution center. They help sort and organize food donations and staples into 19 different categories that are based on food type, nutrition, and quantity. The Abbotsford Food Bank helps over 3,000 people each month with approximately 40% of those being children.

BMO Vancouver Marathon Kids Run

BC Egg staff and producers teamed up to show their support for the Kids Run at the BMO Vancouver Marathon again this year. Producers handed out educational materials, recipe cards, and toys for kids at the Health, Sports, and Lifestyle Expo. BC Egg staff also handed out Frisbees and eggs during the Kids Run that takes place along Lost Lagoon in Stanley Park.



Ask an Egg Farmer

This fall, local egg farmers set up tables at Save-on-Foods stores in Abbotsford and Chilliwack to help educate consumers on how eggs get to their table. They answered questions about eggs and egg farming, handed out recipes and coupons, and got to know the families they feed. The event was a huge success and received lots of positive feedback from store staff, producers, and consumers.

BOARD OF DIRECTORS

J.W. Brad Bond

Brad Bond is President and Owner of Richform Construction Supply Co. Ltd. and Barrier Management Inc.

He was previously Chief Executive Officer of Pharmasave Drugs (National) Ltd.; President, Chief Operating Officer, and Director of Keg Restaurants Ltd.; and Vice President of Operations with Shato Holdings Inc. (White Spot restaurants, JD Sweid, Gaines Pet Food and Winchells Donuts).

In the past, he has served as a director of: Business Practices and Consumer Protection Authority of BC; Vice Chair of the Fraser Health Authority; Insurance Corporation of BC; Chair of Rx Canada Inc.; and Canadian Restaurant and Foodservices Association.
In 2009, Brad was hired by the BC Egg Marketing Board to assist with their strategic planning process and subsequently served in that role until he was appointed Chair in 2014. Brad is proud to be a founding director of Templeton Secondary School Educational Foundation. He holds his Bachelor of Commerce from the University of BC.

Fred Krahn

Fred Krahn was raised on a berry and poultry farm. Together with his brother, Fred expanded their layer operation to include broilers and turkeys. Later, they introduced feed and feed processing businesses, diversified into real estate, construction, and land development.

His desire to see the BC egg industry become effective at the national level motivated Fred to become involved in marketing boards at their inception. As a result, Fred has served in various capacities, on numerous boards and associations including the BC Egg Marketing Board, BC Chicken Marketing Board and Egg Farmers of Canada.

Presently, he is a director and vice chair at the BC Egg Marketing Board and served on the Executive Committee of Egg Farmers of Canada. Fred and his wife Judy have three sons, one daughter and numerous grandchildren. They are pleased that their sons are all involved in the family business.

Amyn Alibhai

Amyn has been a Director with the BC Egg Marketing Board since March 2010 and represents the BC Interior region.

Amyn grew up on his family's poultry farm in the Fraser Valley. He studied at Simon Fraser University and obtained a degree in Business Administration. After graduating, Amyn was recruited by HSBC Bank to work in their Commercial Banking Department.

In 2000, Amyn joined his father in managing the Alibhai family's egg layer farms and operating their egg grading business in Kamloops. Amyn has since been involved in many different areas of the egg industry's production and grading sectors.

He has been President and Director of both the BC Interior Egg Producers Association and of the BC Egg Processors Council, as well as served on various industry committees. As a member of the Board of Directors at BCLMB, Amyn is serving as the Chair of the Finance and Audit Committee. He was also the former Chair of the Production Management Committee.

Walter Siemens

Walter Siemens has been an egg producer since 1986. Walter has served in various capacities and committees within BC's poultry industry as well as on the national front. For the last two years, he has served on the National Layer Code of Practice Review Committee. This Code sets a new path of best practices for the industry and the welfare of hens.

Walter and his lovely wife, Annette, have four children, two sons (both now married) along with two daughters – one of whom is also married. Over the last two to three years, all three married children have come back to work on the farm – making the Siemens farm a true family operation.

"I enjoy serving the egg industry and it's a great way to support and raise a family... and now to see the next generation arriving is truly a blessing to us."

Walter and his family are entering a period of farm rejuvenation as old buildings are torn down and replaced with new barns designed to meet numerous egg type and market needs. It's a busy time indeed, but quite an enjoyable phase of life.

Jen Woike

Jen Woike has lived in the Cowichan Valley on Vancouver Island for 20 years. During that time, she has been involved in many community activities. She has been involved with major fundraisers such as The Big Squish (Cowichan District Hospital's mammography machine); Queen of Angels School Galas and Funfairs; Search and Rescue; and is currently working with Alexander School to fundraise for their Breakfast Program.

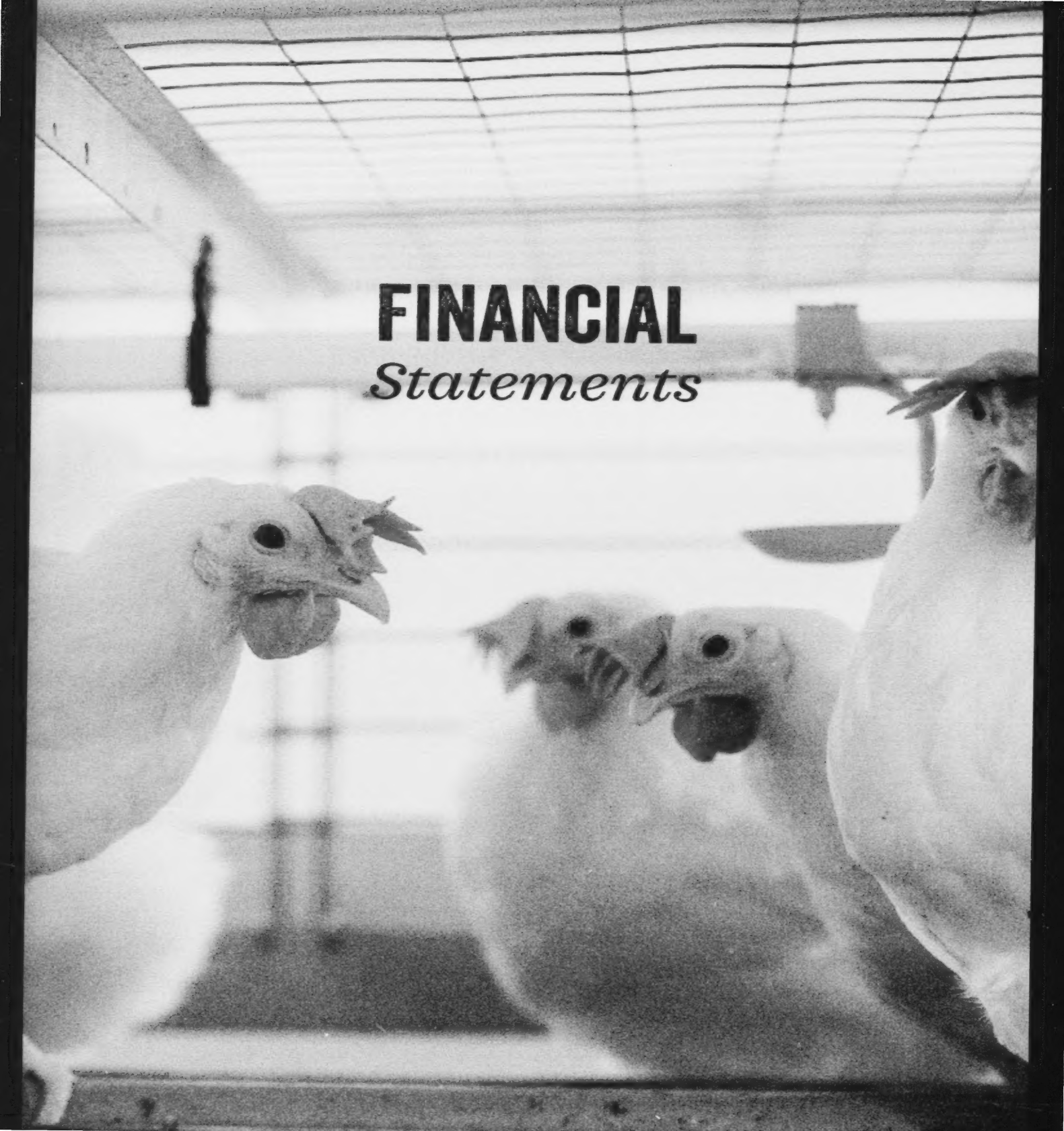
Along with husband, Ian, they own and operate Farmer Ben's Eggs, the Island's largest egg production farm and a wholesale grading operation.

Jen and Ian were the recipients of the 2009 Outstanding Young Farmers of BC/Yukon Award as well as winning a Black Tie Award for Business Achievement in 2015.

Jen was the provincial chair for the BC Outstanding Young Farmers program from 2011-2014 and currently sits as a Director on the BC Egg Marketing Board as the Vancouver Island representative. In this current position, she chairs the Production Management Committee and represents BC at the National table. She was instrumental in forming the BC Egg Producer of the Year Award.

In 2011 she was elected to City Council in the Municipality of North Cowichan where she chaired two committees Agricultural and Parks and Recreation. She also sat on the Island Savings Center Commission and was Vice Chair of that Commission for one year. She was lucky enough to be the North Cowichan representative in the Cowichan Valley Regional District's Sports Tourism initiative in her last year on Council. She has been appointed the position of President for the 2018 BC Summer Games to be held in the Cowichan Valley.

She and Ian have three active and involved children.



FINANCIAL
Statements

Management's Responsibility

To the Members of BC Egg Marketing Board:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Members who are neither management nor employees of the Board. The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Committee is also responsible for recommending the appointment of the Board's external auditors.

MNP LLP is appointed by the Members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

March 3, 2017

Katie Lowe

Executive Director

Independent Auditors' Report

To the Members of BC Egg Marketing Board:

We have audited the accompanying financial statements of BC Egg Marketing Board, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net assets and cash flows for the 53 week period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of BC Egg Marketing Board as at December 31, 2016 and the results of its operations, changes in net assets and its cash flows for the 53 week period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Abbotsford, British Columbia

March 3, 2017

MNP LLP

Chartered Professional Accountants

BC Egg Marketing Board
Statement of Financial Position
As at December 31, 2016

	December 31, 2016	December 26, 2015
ASSETS		
Current		
Cash (Note 3)	**6,283,281**	4,820,035
Accounts receivable	**8,716,666**	7,600,512
Term deposit (Note 4)	**1,009,500**	
Prepaid expenses and deposits	**190,613**	156,084
	16,200,060	12,576,631
Capital assets (Note 5)	**292,590**	463,069
Long-term investment (Note 6)	**2,969,100**	3,037,782
	19,461,750	16,077,482
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 3)	**9,664,651**	6,431,744
Levies transferable to Egg Farmers of Canada	**770,231**	411,512
Government remittances payable	**15,802**	27,830
	10,450,684	6,871,086
Commitment (Note 7)		
Guarantee (Note 8)		
NET ASSETS		
Invested in capital assets	**292,590**	463,069
Unrestricted	**8,718,476**	8,743,327
	9,011,066	9,206,396
	19,461,750	16,077,482

Approved on behalf of the Board

Director
Brad Bond
CHAIRMAN

Director
Amyn Alibhai
CHAIR, AUDIT AND FINANCE COMMITTEE

The accompanying notes are an integral part of these financial statements

BC Egg Marketing Board
Statement of Operations
For the 53 week period ended December 31, 2016

	2016 53 weeks	2015 52 weeks
Revenue		
Levies (Note 10)	**4,942,704**	5,868,985
Sale of eggs to grading stations	**173,471,697**	153,982,034
Purchase of eggs from producers	**(173,096,049)**	(153,982,034)
Interest and sundry income	**227,599**	98,983
Total revenue	**5,545,951**	5,967,968
Expenses (Schedule 1)		
Administrative expenses	**2,459,023**	2,773,649
Governance expenses	**451,026**	391,605
Marketing expenses	**172,693**	261,957
Communication expenses	**156,149**	171,470
Industrial product and other programs	**2,506,800**	1,350,485
Total expenses	**5,745,691**	4,949,166
Excess (deficiency) of revenue over expenses before other items	**(199,740)**	1,018,802
Other income (expenses)	**4,410**	(23,845)
Excess (deficiency) of revenue over expenses	**(195,330)**	994,957

The accompanying notes are an integral part of these financial statements

BC Egg Marketing Board
Statement of Changes in Net Assets
For the 53 week period ended December 31, 2016

	Invested in capital assets	Unrestricted	2016	2015
Net assets, beginning of period	463,069	8,743,327	**9,206,396**	8,211,439
Excess (deficiency) of revenue over expenses	(194,964)	(366)	**(195,330)**	994,957
Purchases of capital assets	24,485	(24,485)	**-**	-
Net assets, end of period	292,590	8,718,476	**9,011,066**	9,206,396

The accompanying notes are an integral part of these financial statements

BC Egg Marketing Board
Statement of Cash Flows
For the 53 week period ended December 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating		
Excess (deficiency) of revenue over expenses	**(195,330)**	994,957
Amortization	**194,964**	221,098
Loss on disposal of capital assets	**-**	2,025
Equity loss on investment	**122,682**	127,735
Interest charged on advances to CAFL	**(54,000)**	(39,000)
	68,316	1,306,815
Changes in working capital accounts		
Accounts receivable	**(1,116,154)**	(973,498)
Prepaid expenses and deposits	**(34,529)**	373
Accounts payable and accrued liabilities	**3,232,907**	3,341,964
Levies transferable to Egg Farmers of Canada	**358,719**	(484,472)
Government remittances payable	**(12,028)**	13,228
	2,497,231	3,204,410
Investing		
Purchase of term deposit	**(1,009,500)**	-
Purchase of capital assets	**(24,485)**	(21,943)
Advances to CAFL	**-**	(525,000)
	(1,033,985)	(546,943)
Increase in cash resources	**1,463,246**	2,657,467
Cash resources, beginning of year	**4,820,035**	2,162,568
Cash resources, end of year	**6,283,281**	4,820,035

BC Egg Marketing Board
Notes to the Financial Statements
For the period ended December 31, 2016

1. Incorporation and nature of the Board

The BC Egg Marketing Board (the "Organization") was established in 1967 under the Natural Products Marketing (B.C.) Act.

The Organization operates under the British Columbia Egg Marketing Scheme, 1967, respecting the control, management and promotion of the marketing of eggs in British Columbia.

The Organization purchases eggs from producers for resale and acts as the B.C. agent for the Egg Farmers of Canada ("EFC") for collection of EFC's administration levies and industrial product removal levies, and administers various national egg marketing programs.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook – Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Investments
The Board accounts for its 50% interest in Central Agricultural Facility Limited ("CAFL") using the equity method. Under the equity method, the investment is recorded at original cost plus the Board's share of undistributed earnings (losses) since inception. The statement of operations includes the Board's share of investee income or loss for the year.

The Board records its advances to CAFL at cost.

Capital assets
Capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives as follows:

	Years
Automotive	4
Computer equipment	2-5
Office equipment	2-5
Leasehold improvements	10

Revenue recognition
Revenues from the sale of eggs, including associated levies, are recognized on a weekly basis as the grading process is completed and collectability is reasonably assured.
Marketing levies collected on the special permit birds are recognized as revenue when the associated services are provided and the related expenditures are incurred. Prepaid levies that have been collected for producers in advance of the related production week are recognized as revenues when the production week occurs.

Income taxes
The Board is a not-for-profit organization and is exempt from income taxes pursuant to subsection 149(1)(e) of the Income Tax Act.
Employee future benefits
The Organization's employee future benefits program consists of a defined contribution pension plan. Contributions are expensed in the period in which contributions to the plan are incurred.

Measurement uncertainty (use of estimates)
The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenues and expenses in the periods in which they become known.

2. Significant accounting policies

(Continued from previous page)

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 Related Party Transactions (Note 11).

At initial recognition, the Board may irrevocably elect to subsequently measure any financial instrument at fair value. The Board has not made such an election.

The Board subsequently measures derivatives and investments in equity instruments quoted in an active market at fair value. Fair value is determined by quoted market prices. Investments in equity instruments not quoted in an active market are subsequently measured at cost less impairment. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance, or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess (deficiency) of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment:

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers all factors in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the period. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current period excess (deficiency) of revenues over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess (deficiency) of revenues over expenses in the period the reversal occurs.

3. Trust assets and trust liabilities

At December 31, 2016, a cash balance of $1,170,000 (2015 - $56,077) is currently held in trust for the successful applicants of the New Producer Program. A corresponding liability of the same amount has been recorded.

4. Term deposit

Non-redeemable guaranteed investment certificate held with Royal Bank of Canada bearing interest at 1.2%, maturing March 2017.

5. Capital assets

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Automotive	66,820	66,820	-	6,984
Computer equipment	931,621	818,015	113,606	231,210
Office equipment	183,385	180,570	2,815	19,098
Leasehold improvements	524,805	348,636	176,169	205,777
	1,706,631	1,414,041	292,590	463,069

6. Long-term investment

The Board's investment in Central Agricultural Facility Limited ("CAFL") includes the following:

	2016	2015
Shares - 50% interest	1	1
Advances without fixed terms of repayment or interest	2,065,530	2,011,530
Advances without fixed terms of repayment, including interest at fixed rate of 3%	1,800,000	1,800,000
Equity loss since inception	(896,431)	(773,749)
	2,969,100	3,037,782

The Board used CAFL's December 31, 2016 financial statements, which are audited by another firm of public accountants, to report its equity interest.

7. Commitment

The Board is committed to an operating lease for a photocopier with yearly lease payments of $4,580 plus taxes, with the lease expiring in 2020. The Board is also committed to donating $12,500 per year to the Breakfast Clubs of Canada over the next two years.

8. Guarantee

As at December 31, 2016, the Board has guaranteed a mortgage of Central Agricultural Facility Limited ("CAFL"), up to a maximum amount of $2,000,000 (2015 - $2,000,000). Payment under this guarantee, which will remain in place until the maturity date of December 29, 2036, is required should CAFL default on its obligations. As at December 31, 2016, no liability has been recorded associated with this guarantee as CAFL has complied with the requisite mortgage payments.

9. Line of credit

The Board has an available operating line of credit with the Royal Bank of Canada. The operating line entitles the Board to borrow a maximum of $500,000 with interest at the bank prime rate, and is secured by all assets of the Board. The operating line was not utilized as of December 31, 2016.

10. Levies

Levies are imposed on egg producers by the Board and Egg Farmers of Canada ("EFC"). The Board acts as an agent to collect levies on EFC's behalf. These levies are not included in the Board's revenue.

	2016	2015
Total levies collected from egg producers	22,369,780	24,200,226
Less: levies and service fees remitted to EFC	(17,427,076)	(18,331,241)
	4,942,704	5,868,985

11. Related party transactions

During the year the Board paid rent in the amount of $128,854 (2015 - $133,745) to CAFL. In addition, the Board received interest income in the amount of $54,000 (2015 - $39,000) from CAFL.

During the year the Board paid membership fees in the amount of $26,631 (2015 - $26,631) to BC Poultry Association.

The Board provides operating grants to various egg producer associations.

These transactions are recorded at the exchange amount, which is the amount agreed to by the related parties.

12. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk
Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate cash flow risk with respect to the advances made to the Central Agricultural Facility Limited.

During the year, the Organization's net exposure to interest rate risk increased as a result of the increase in advances made to Central Agricultural Facility Limited.

Liquidity risk
Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities.

The Organization's exposure to liquidity risk is dependent on the collection of accounts receivable.

During the year, the Organization's liquidity risk increased as a result of the increase in accounts receivable.

Credit risk
The Board is exposed to limited credit risk resulting from the possibility that parties may default on their financial obligations.

In addition, there is a concentration of transactions carried out with entities with similar economic conditions such that they could be similarly affected by changes in economic conditions. The Board does not directly hold any collateral such as security for financial obligations.

The Board believes that credit risk and concentration of credit risk are limited due to the quality of parties extended credit and the history the Board has with these entities. The Board maintains allowances for potential credit losses and any such losses to date have been within management's expectations. These allowances are determined by consideration of economic conditions, historical information, and accounts past. The allowance is calculated on a specific identification basis. Amounts subsequently recovered which were written off are credited to the allowance in the period of recovery.

13. Pension plan

The Board's pension plan is administered by the Teamsters Union and is a defined contribution plan. Pension expense of

$44,248 (2015 - $62,736) has been included in current period salaries and benefits.

14. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

BC Egg Marketing Board
Schedule of Expenses
For the 53 week period ended December 31, 2016

	2016	2015
Administrative expenses		
Amortization	**194,964**	221,098
Annual general meeting	**97,883**	51,151
Association grants	**97,007**	63,218
Committee expenses	**75,601**	47,410
Events	**16,402**	278,486
Insurance	**28,570**	29,151
Legal	**26,353**	85,755
Memberships	**35,786**	38,392
Miscellaneous	**33,500**	31,805
Professional development	**51,043**	29,255
Professional services	**218,051**	272,593
Rent	**128,854**	133,745
Repairs and maintenance	**8,143**	5,912
Research and scholarships	**4,473**	1,000
Salaries and benefits	**1,174,344**	1,239,172
Supplies and postage	**21,646**	24,089
Systems and network	**114,098**	117,970
Telephone	**17,273**	17,352
Travel	**115,032**	86,095
	2,459,023	2,773,649
Governance expenses		
Travel and Accomodations	**187,320**	160,706
Per diem and benefit expenses	**263,706**	230,899
	451,026	391,605
Marketing expenses		
Education	**4,841**	3,350
Marketing programs	**134,169**	225,006
Marketing travel	**5,484**	5,259
Memberships	**1,305**	800
Promotions	**26,89**	27,542
	172,693	261,957

BC Egg Marketing Board
Schedule of Expenses (continued)
For the 53 week period ended December 31, 2016

	2016	2015
Communication expenses		
Communication programs	**35,439**	60,235
Miscellaneous	**503**	7,919
Spot promotions	**117,001**	100,222
Travel	**3,206**	3,094
	156,149	171,470
Industrial product and other programs		
Industrial product costs	**25,268,521**	17,866,264
EFC recoveries	**(24,000,884)**	(17,235,558)
EFP and Special EFP costs	**4,479,409**	1,548,051
EFP and Special EFP recoveries	**(4,169,620)**	(1,535,331)
Fowl removal costs	**101,172**	103,762
Fowl removal recoveries	**(470,470)**	(400,767)
Farm pickup costs	**1,150,000**	936,000
Western pool costs	**139,126**	37,959
Other expenses	**9,546**	30,105
	2,506,800	1,350,485

BOARD OFFICERS AND COMMITTEES

Board Officers

Chair
Brad Bond

Vice Chair and EFC Alternate
Fred Krahn

EFC Director
Walter Siemens

Secretary
Amyn Alibhai

Council of Marketing Boards
Kathleen Zimmerman

BCEMB Committees

Audit and Finance Committee
Amyn Alibhai, Chair
Karim Bandali
Art Frisen
Bodo Goetzke

Egg Industry Advisory Committee
Marvin Friesen, Chair
Frank Curtis
Scott Janzen
Jon Krahn
Ralph Regehr
Mark Siemens

BC Egg Producers Association
Mark Siemens, Chair
Dan Kampen, Vice Chair
Ian Christison
Jon Krahn
Dan Penner
Dwayne Vanderkooi
Matt Vane
Erv Wiens - alternate
Ian Woike

BC Specialty Audit Committee
Mark Siemens, Chair
Jeff Bisschop
Scott Janzen
Matt Vane
Erv Wiens

Production Management Committee
Jennifer Woike, Chair
Jake Esau
Scott Janzen
Jon Krahn
Ken Vanderkooi

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